

REMARKS

Claims 65-67 are pending.

Applicant respectfully requests reconsideration of the Examiner's rejection of the claims over Lange.

As amended, independent claim 65 describes, *inter alia*, a first financial product with a fixed payout that is determined prior¹ to the time that the buyer pays the premium for the first financial product. The claim further recites that the "first financial product is worth the fixed payout amount to the buyer of the first financial product if, between the first time and expiry, the value of the interest rate meets a first strike rate, wherein the first strike rate is a sum of the first value and the first value change; and wherein said first financial product is worth nothing to the buyer of the first financial product if, between the first time and expiry, the value of the interest rate fails to meet the first strike rate." Claim 67 contains similar limitations. Thus, in the pending claims, *the payout if the first strike rate is met (between the first time and expiry) is fixed at or before the time the buyer purchases the financial product.* Support for these limitations can be found in the specification at, for example, as follows:

¹ See claim 65, step (e): "(e) *subsequent* to the identifying of the fixed payout in step (b), receiving the first premium from the buyer of the first financial product ..."

...the price of the underlying instrument in the inventive instrument must move a certain amount in a certain direction in a limited amount of time. If it does, that trade yields a fixed amount of money for the buyer or acceptor of the contract. If it does not, that acceptor has lost only the premium he paid for the contract. (Page 7, lines 13-17).

* * *

...In the case of a put DELTA contract, the buyer of the put contract pays the offeror or writer of the put contract a contract premium and, in exchange, the buyer will earn the contract payout amount (e.g. \$100 or other set amount) if the contract expires "in the money." More particularly, if the price of the underlying instrument falls below the strike price between execution or some other specified time, and expiry of the put contract, the contract is deemed to have expired "in the money", and the trader who wrote the contract will pay the trader who accepted the contract the contract payout amount (e.g. \$100 in the current example). If the value of the underlying instrument fails to fall below the strike price between the time of execution or some other specified time and expiry, the contract is not deemed to be "in the money," and the offeror of the contract pays the acceptor of the contract nothing upon expiry.... (Page 11, line 24 – Page 12, line 4).

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An investor pays a premium for a contract with the knowledge that it will be worth either the contract payout amount (\$100 in the above example) or \$0 upon expiration. ... (Page 13, line 29 – Page 14, line 1).

In contrast to the subject matter of pending claims 65 and 67, Lange is directed to "demand-based adjustable return" options. The "demand-based adjustable return" aspect of the reference is described as follows at paragraphs 0040, 0044 of Lange:

"[0040] The process by which returns are finalized in the present invention is demand-based, and does not in any substantial way depend on supply. By contrast, traditional markets set prices through the interaction of supply and demand by crossing bids to buy and offers to sell ("bid/offer"). The demand-based contingent claim mechanism of the present invention sets returns by financing returns to successful investments with losses from unsuccessful investments. Thus, in a preferred embodiment, the returns to successful investments are determined by the total and relative amounts of all investments placed on each of the defined states for the specified observable event.

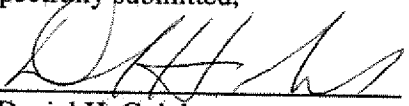
[0044] In this specification, the function for computing and allocating returns to contingent claims is termed the Demand Reallocation Function (DRF). A DRF is demand-based and involves reallocating returns to investments in each state after the outcome of the observable event is known in order to compensate successful investments from losses on unsuccessful investments (after any transaction or exchange fee). Since an adjustable return based on variations in amounts invested is a key aspect of the invention, contingent claims implemented using a DRF will be referred to as demand-based adjustable return (DBAR) contingent claims. (Emphasis added).

In contrast to Lange, the return (or payout) of the financial product that is the subject of Applicant's pending claims is fixed at or before the time the buyer purchases the financial product, and is not modified thereafter "based on the outcome of an observable event," as is the case in Lange. Based on this distinction, it is respectfully submitted that all pending claims are distinguishable over Lange. Accordingly, reconsideration and allowance of all pending claims are earnestly solicited.

If there are any other fees due in connection with the filing of this response, please charge the fees to our Deposit Account No. 50-0310 (Billing No. 053775-5001). If a fee is required for an extension of time under 37 C.F.R. §1.136 not accounted for above, such an extension is requested and the fee should also be charged to our Deposit Account.

Respectfully submitted,

Date: February 9, 2007

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